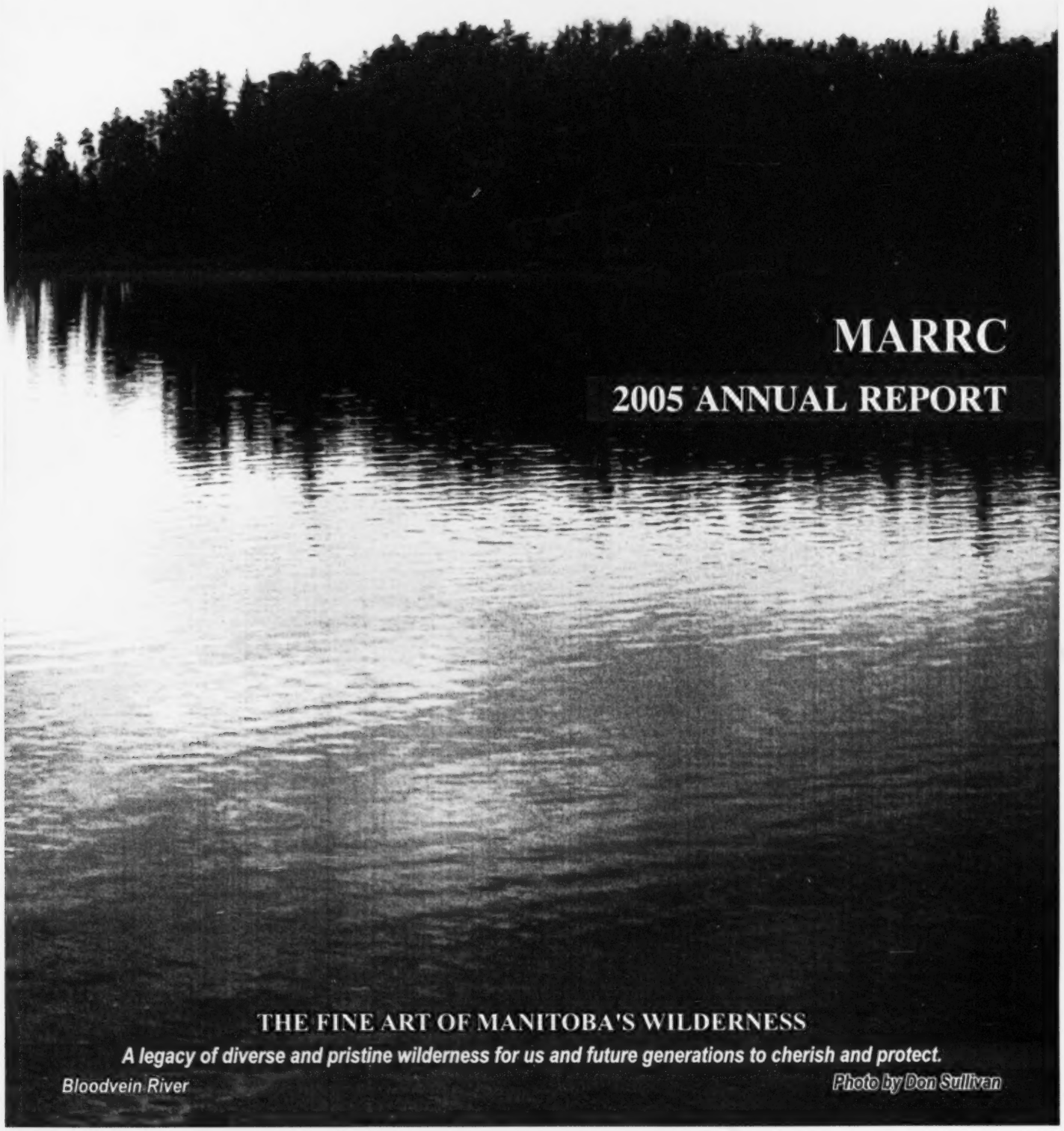
Manitoba Association for Resource Recovery Corp.



MARRC

2005 ANNUAL REPORT

THE FINE ART OF MANITOBA'S WILDERNESS

A legacy of diverse and pristine wilderness for us and future generations to cherish and protect.

Bloodvein River

Photo by Don Sullivan

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Annual General Meeting

Monday, August 21, 2006
2:00 p.m.
Inn At The Forks
78 Forks Market Road
Winnipeg, Manitoba
R3C 0A2

Overview of MARRC

The Manitoba Association for Resource Recovery Corp. (MARRC) is a non-profit corporation established in 1997 by manufacturers and marketers of lubricating products in Manitoba. Its mandate is to develop, implement and administer a cost-effective, sustainable, user-financed, province-wide stewardship program for used oil, used oil filters and used oil containers.

MARRC was incorporated under The Corporations Act of Manitoba on April 1, 1997. It operates in accordance with a Letter of Approval issued by Manitoba Environment on February 26, 1998 under Section 7 of the "Used Oil, Oil Filters and Containers Stewardship Regulation" of the Waste Reduction and Prevention Act.

MARRC received a letter of approval dated January 24, 2003, from the Minister of Conservation extending the Stewardship Plan term for an additional five years to December 14, 2007.

The Corporation derives revenue principally in the form of Environmental Handling Charges (EHCs) applied to the sale or consumption of selected lubricating products in Manitoba. The Corporation's primary expenses are related to the:

- establishment and operation of a publicly-accessible network of licenced collection facilities for used lubricating products,

- payment of Return Incentives to companies licenced by the province and registered with MARRC to collect used lubricating products and transfer them to approved processors and end-users,

- payment of Processing Incentives to companies licenced by the province and registered with MARRC to recycle used lubricating products, and

- development and distribution of public education materials.

MARRC's affairs are managed by a six-person Board of Directors drawn from the member companies of MARRC and from other stakeholder organizations.

Highlights of 2005

Initiatives drive awareness and support

Jan 15 to Apr. 30 MARRC develops locally a ***Colouring Contest Promotion*** for school grades K-6 throughout Manitoba. The Department of Education assists by distributing the "Attention Teachers" poster to the schools. A sample of the colouring poster is shown on page 9. MARRC is very proud of the results... 3378 students from 93 rural and 63 city schools participate. Students are also encouraged to participate in the EcoSchool animation on the website. They are rewarded with a Bookmark and Used Oil Recycling Toque as shown on page 10. Ten mountain bikes courtesy of Canadian Tire, are awarded from a draw and presented by Manitoba Conservation Minister, Stan Struthers, at the Canadian Tire store on Regent Ave. in June 2005.

June to Sept 15 MARRC develops locally a ***Lucky Lotto Keychain Promotion*** with a "specific call to action" for EcoSummer 2005. ***You could WIN A NEW CAR...*** *with your Lucky Lotto Keychain.*

"To enter, just take your used oil, filters and plastic oil containers to your Licenced Collection Depot, sign the collection log and receive your Lucky Lotto Keychain".

MARRC secures thousands of dollars in prizes from its partners for a clean environment including a new car. (See Mailer on page 11 for details)

MARRC distributes the **EcoSummer 2005** Mailer to:

175,000 households in Winnipeg (twice).
150,000 households and acreages in rural Manitoba.
43 Commander Boards are positioned strategically on highways throughout the province relaying the call to action. (See page 11 for sample photo)

100% of MARRC's network of 71 Licenced Collection Depots participate in the promotion.

Over 5,500 Lucky Lotto Keychains are handed out in response to the receipt of used oil, filters and containers (1 per customer only).

Winners are announced and prizes are awarded with coverage in the Winnipeg Free Press and rural newspapers. Collection volumes at the depots reflect noticeable increases.

Summer MARRC participates as a key partner with the Winnipeg Goldeyes professional baseball team. The partnership includes advertising in 104 games on radio with 60 second commercials featuring the used oil recycling jingle and a specific message regarding the EcoSummer Lucky Lotto Keychain Promotion. MARRC also participates in 2 games on the mezzanine level with the fans, including an on field introduction of Mr. Oil Drop for the 7th inning stretch.

Rural interface

March 7-8 MARRC participates in Thompson at a workshop with northern communities organized by the Manitoba Product Stewardship Corporation (MPSC). The purpose is to establish contact with northern delegates and to pursue a strategic plan for servicing remote communities.

August 30 MARRC participates in the Northern Association of Community Councils trade show and conference in Winnipeg at the Marlborough Hotel.

Oct. 28 &Nov 4 MARRC participates as a presenter at the Manitoba Product Stewardship Corporation's (MPSC) Annual Workshops in Winnipeg and Brandon on the subject of reducing waste in Manitoba. In attendance are municipal delegates from throughout the province.

Highlights of 2005

Strategic Planning Session

Aug. 22-25 MARRC Directors participate in a Combined Strategic Planning meeting of SARRC, AUOMA and BCUOMA Directors and Staff in Moose Jaw, SK. The session focuses on addressing strategic issues and team building. The theme of the meeting is Communication.

Bursaries awarded for a third year

Bursaries are awarded to 6 students ($500 each) qualifying in Environmental Studies at the 3 Universities in Manitoba.

Chidren's Hospital: Premature Children's Community Picnic

August 28 400 people attend a community picnic in support of the Children's Hospital for Premature Children. MARRC with Mr. Oil Drop, local law enforcement officials, and Mr. Goodbear participate in the event. (See page 12 for photo).

EcoCentre / Collection Depot network maturing at 71

MARRC's rural network of EcoCentres stands at ***53*** exceeding the minimum network objective established by the province's multi stakeholder Used Oil Management Committee in 1996. The network includes the northern locations of The Pas, Flin Flon and Thompson.

In addition there are ***18*** other facilities licenced by Manitoba Conservation for the collection of used lubricating products including 10 locations in Winnipeg along with the recent addition of Cranberry Portage in the north.

Training and audits promote safety and compliance

Ongoing MARRC, as part of its contractual arrangements with owners/operators of collection facilities, provides initial and recurrent on-site training for management and staff. The training, and follow-up audits are designed to promote a safe operation and compliance with each facility's operating licence issued by Manitoba Conservation. During 2005, inspections were conducted at the licenced EcoCentre and collection depot facilities.

Green Manitoba Eco-Solutions

Green Manitoba Eco-Solutions, working in co-operation with Manitoba Conservation, industry stewards, municipalities, environmental non-governmental organizations and consumer groups, coordinates the development of Manitoba's revised product stewardship programs for tires, printed paper and packaging, household hazardous waste eg. paints, and electronic equipment. Manitoba's used oil stewardship program managed by MARRC forms the model for the enhanced product stewardship initiatives launched by Green Manitoba.

Oct. 25 MARRC is invited as the guest presenter at the Government's Industry Consultation Conference with approximately 150 Stakeholders in attendance.

Collection volumes for 2005 extending in all zones

- Used oil: 13.5 million litres (82% of total recoverable)
- Used oil Filters: 1.72 million (Net 83% of total recoverable)
- Used oil Containers: 194,000 kilograms (22% of total recoverable + 20% re-used *)

* Source: Pulse Research Ltd. Container Study 2004/2005

MINISTER OF CONSERVATION

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

March 20, 2006

Mr. Ron Benson
Executive Director
Manitoba Association for
Resource Recovery Corp.

Dear Mr. Benson:

Congratulations to Manitoba Association for Resource Recovery Corp. (MARRC) for continued success in enhancing the recovery of used lubricating products in Manitoba in 2005.

MARRC's 53 rural EcoCentres and eight licenced depots, along with the 10 locations in Winnipeg, continue to see increased collection activity. This fact demonstrates the Assocation's dedication to maximizing oil recovery and its effective use of education and promotion to encourage Manitobans to be part of the solution. MARRC has truly become a model for extended producer responsibility in Manitoba.

I wish you all the best for 2006 and look forward to another successful year for the Association.

Yours sincerely,

Stan Struthers

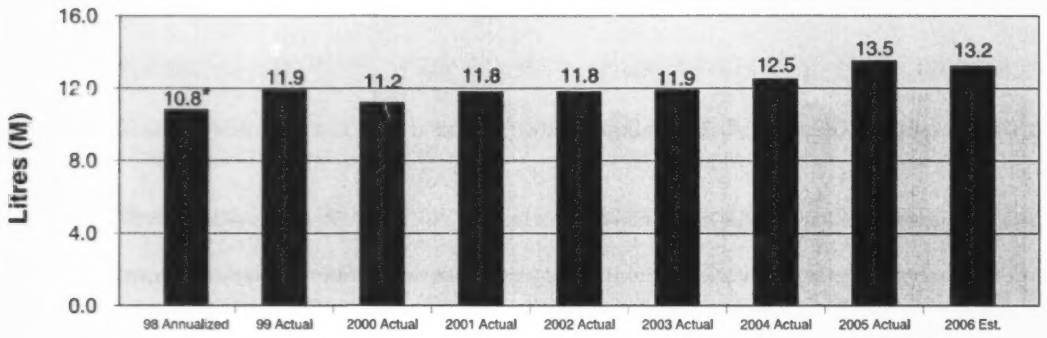
Stan Struthers
Minister of Conservation

Members of MARRC

49 North Forwarding Ltd.
AGCO Corporation
AMSOIL Inc.
ATP-Inc.
AUTO-CAMPING Ltd.
Acklands - Grainger Inc.
Advic Bearing and Auto Ltd.
Affinia Canada Corp.
Agip Canada Inc.
Air BP Canada Ltd.
Airparts Network Ltd.
Altrom Canada Corporation
ArvinMeritor
Applied Industrial Technologies Ltd.
AutoTrans Inc.
BMW Canada Inc.
BOSS Lubricants
Barret Marketing Group Ltd.
Baldwin Filters
Beck/Arnley
BestBuy Distributors Limited
Bombardier Recreational Products Inc.
Buhler Versatile Inc.
CNH Canada Ltd.
CORE-MARK International, Inc.
CPT Canada Power Technology Limited
Canada Safeway Limited
Canadian Tire Corporation, Limited
Canadian Pacific Railway
Castrol Canada Inc.
Castrol Industrial North America Inc.
Champion Laboratories Inc.
Chevron Texaco Global Lubricants
Churchill Marine Tank Farm Co.
Complete Lube Supply Ltd.
Costco Wholesale Canada
Cummins Western Canada
DaimlerChrysler Canada Ltd.
Donaldson Company, Inc.
F.L. Viscosity Oil Co.
Federated Co-operatives Limited
Ford Motor Co. of Canada, Ltd.
Fort Garry Industries Ltd.
Fred Deeley Imports Ltd.
Freightliner Limited
Fuchs Lubricants Canada Ltd.
GK Industries Ltd.
General Motors of Canada Limited
Hastings Filters
Henkel Canada Corporation
Home Hardware Stores Limited
Honda Canada Inc.
Honeywell Automotive Products
Husky Oil Marketing Company
Hyundai Auto Canada
Imperial Oil
Industrial Truck Service Ltd.
International Truck & Engine Corp.
Irving Oil Limited
JKL Enterprises Inc.
Jimmy Diesel Parts Co.
John Deere Limited
Kinecor Inc.
King-O-Matic Industreis Ltd.
Kleen-Flo Tumbler Industries Limited
Kubota Canada Ltd.
Land Rover Group Canada Inc.
Lemky Rural Repair
Magne Enterprises Ltd.
Magnum Oil Mb. Ltd.
Manitoba Hydro
Maxim Transportation Services Inc.
Mazda Canada, Inc.
Mercedes-Benz Canada Inc.
Midas Canada Inc.
Midwest Detroit Diesel-Allison Ltd.
Midwest Hydraulics Inc.
Mining Technologies International Inc.
Mitsubishi Fuso Truck of America Inc.
Modern Sales Co-op
Mohawk Lubricants Ltd.
Motion Industries (Canada) Inc.
Motor Coach Industries Ltd.
Mr. Lube Canada Inc.
NemCo Resources Ltd.
Newalta Corporation
New Flyer Parts
Nissan Canada Inc.
Northern Industrial & Auto Ltd.
Northern Titan Equipment Sales Ltd.
Nynas Canada Inc.
Oak Point Oil Distributors
Oil Depot Limited
Oil Mart Ltd.
Outboard Rebore / Alline Supply
PACCAR of Canada, Ltd. Parts Division
PSC-Power Source Canada Ltd.
Parker Hannifin
Parts Canada
Pauwels Canada Inc.
Pennzoil-Quaker State Inc.
Petro-Canada Lubricants
Porsche Cars Canada, Ltd.
Precambrian Wholesale Limited
Prévost Car Inc.
Radiator Specialty Company of Canada Ltd.
Robert Bosch Inc.
Safety-Kleen Canada Inc.
7-11 Canada
Shell Canada Products
Sodisco-Howden
Southwestern Petroleum Canada Limited
Subaru Canada Inc.
Suzuki Canada Inc.
Terratech Equipment Inc.
Texas Refinery Corp. of Canada Limited
The North West Company Inc.
TruServ Canada Cooperative Inc.
Toromont Industries Ltd.
Toyota Canada Inc.
UAP Inc.
USI - AGI Prairies Inc.
Valvoline Canada Ltd.
Volkswagon Canada Inc.
Volvo Trucks Canada Inc.
Wainbee
Wajax Industries
Wakefield Canada Inc.
Wal-Mart Canada Inc.
Wallace & Carey Ltd.
Westcon Equipment & Rentals Ltd.
Western Turbo & Fuel Injection Ltd.
Westfair Foods Ltd.
Westfalia Surge Canada Co.
Yamaha Motor Canada Ltd.
Yetman's Ltd.
Zellers / Hudson's Bay Co.

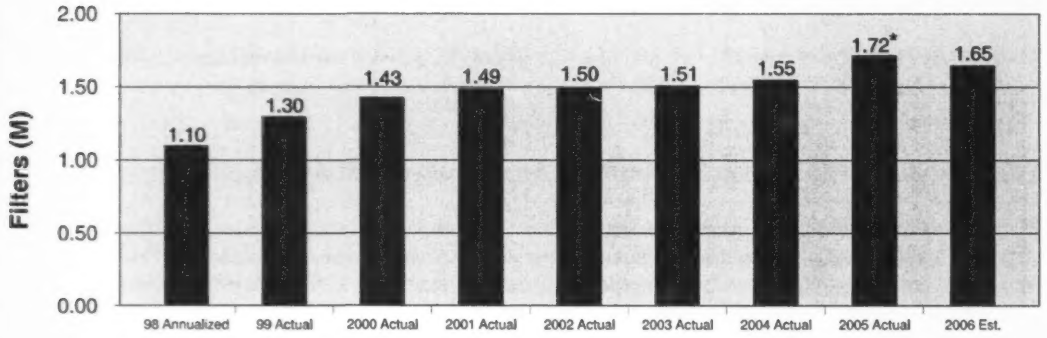
Collection Activity by Product

Oil (estimated total recoverable per year: 16.5 million litres)



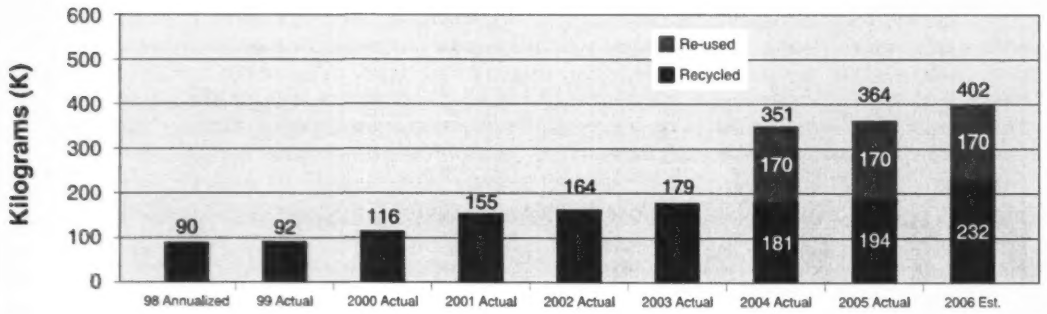
★ Pre-MARRC: 6.3 million litres

Filters (estimated total recoverable per year: 1.98 million filters)

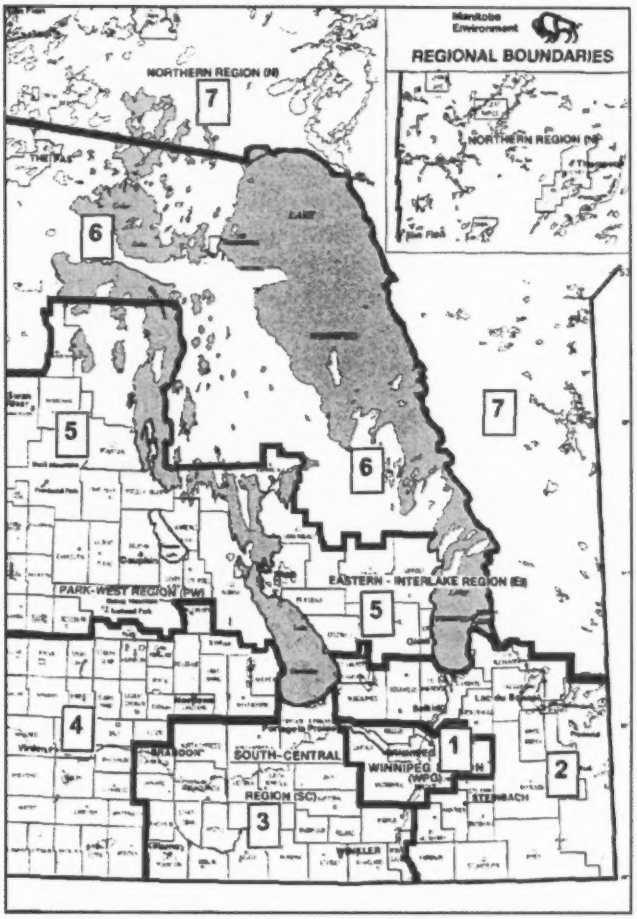


★ A portion of increase in 2005 reflects filters collected in 2004 but not processed until 2005

Containers under 30 litres capacity (estimated total recoverable per year: 884 thousand kilograms)



Collection Activity by Zone



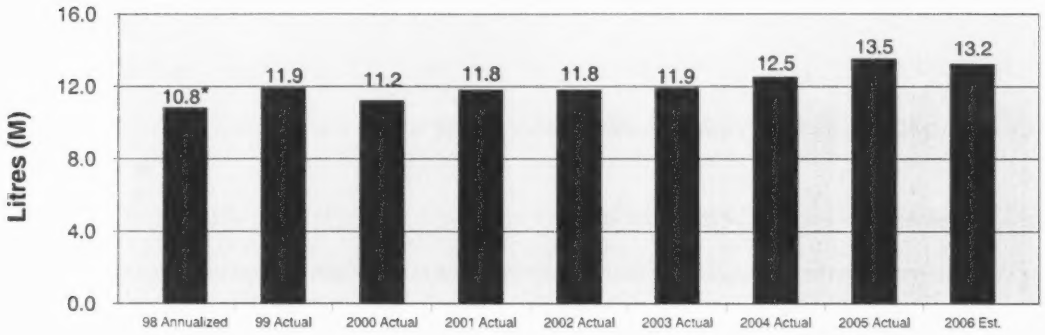
Collection Percentages by Zone

Zone ►	1		2		3		4		5		6		7	
	'05	'04	'05	'04	'05	'04	'05	'04	'05	'04	'05	'04	'05	'04
Oil	64	65	9	9	14	13	4	3	4	4	1	1	4	5
Filters	54	54	10	11	20	19	6	5	6	7	1	1	3	3
Containers	35	39	13	12	19	15	9	9	13	13	2	3	9	9

%

Collection Activity by Product

Oil (estimated total recoverable per year: 16.5 million litres)



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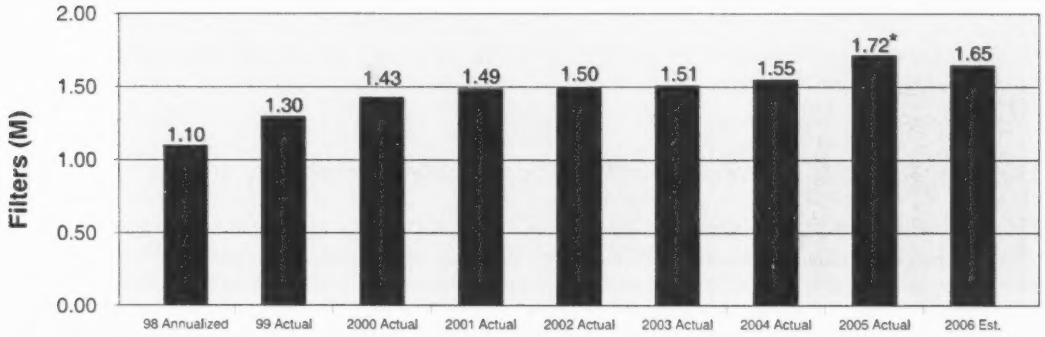

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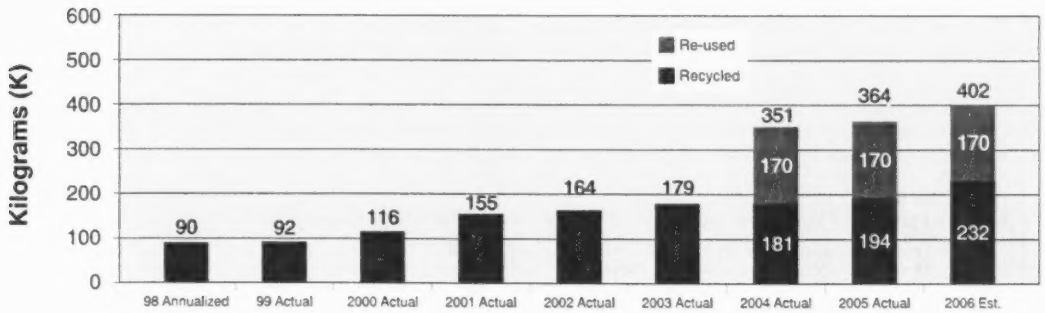
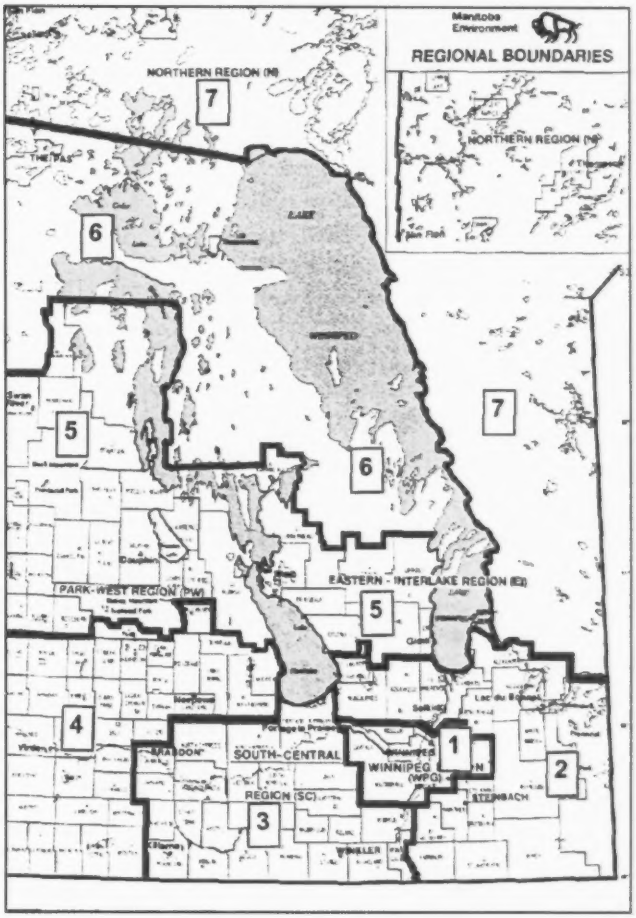


MARRC - Making every drop count

Collection Activity by Zone

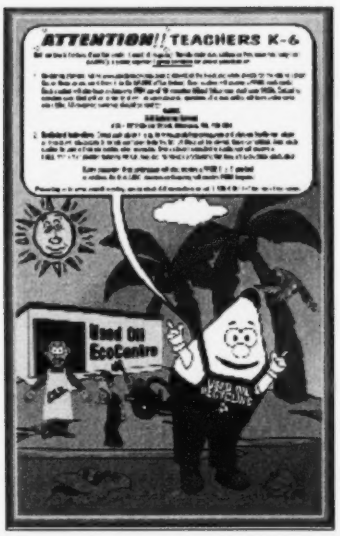


Collection Percentages by Zone

	Zone ►	1		2		3		4		5		6		7	
		'05	'04	'05	'04	'05	'04	'05	'04	'05	'04	'05	'04	'05	'04
%	Oil	64	65	9	9	14	13	4	3	4	4	1	1	4	5
%	Filters	54	54	10	11	20	19	6	5	6	7	1	1	3	3
%	Containers	35	39	13	12	19	15	9	9	13	13	2	3	9	9

Colouring Contest

The Department of Education distributed colouring contest material to schools (K-6) in Manitoba.
156 Schools participated with 3,378 Students entering.
Toques, Bookmarks and 10 mountain bikes were presented as promotional material



11" x 17" - Posters Distributed to K-6 Schools in Manitoba

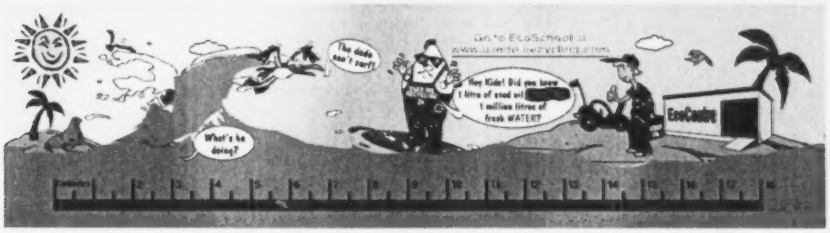
One of 3,378 Submissions (Colouring by Students)

11" x 17" - Congratulations to Students

24" x 36" - Poster for the class

Colouring Contest - Promotional Items

Front


The dude can't swim!
What's he doing?
Hey Kids! Did you know 1 litre of used oil can pollute 1 million litres of fresh WATER?
EcoCentre

Back

Bookmarks

Minister presents Mountain Bikes at Canadian Tire

Toques (3500)

Angus McKay School

Thousands Participate in Fun Way To Learn About Managing Used Oil Products

As part of a used oil-recycling awareness program, Conservation Minister Stan Struthers awarded 10 Manitoba students new bicycles courtesy of the Manitoba Association for Resource Recovery Corporation and Canadian Tire.

"Every drop counts in the effort to properly dispose of used oil products," said Struthers. "It only takes one litre of oil to contaminate one million litres of fresh water so correct handling of waste oil materials is essential."

MARRC operates a program called EcoSchool to raise awareness of recycling with students in school. This year it sponsored a colouring contest in which 3,373 students participated from 93 rural schools and 63 Winnipeg schools.

The association is also launching EcoSummer to help raise awareness of recycling. One lucky Manitoban who uses one of the free depots sponsored by MARRC will win a new car and there are many other prizes as well. In Winnipeg, six Canadian Tire outlets, A-1 Environmental Services, Miller Environmental Corp., WRS Environmental and Enviro West Inc. are used oil collection depots licensed by the government. There are 60 approved collection depots across Manitoba.

In 2004, through the efforts of MARRC and its partners:

- 12,500,000 litres of used oil were properly managed out of 16,500,000 litres that could have been recycled;
- used oil collection has doubled since the program was created;
- 1,550,000 oil filters were recycled out of 2,030,000 sold; and
- 181,000 kilograms of oil containers were collected and recycled with the plastic used to make plastic lumber.

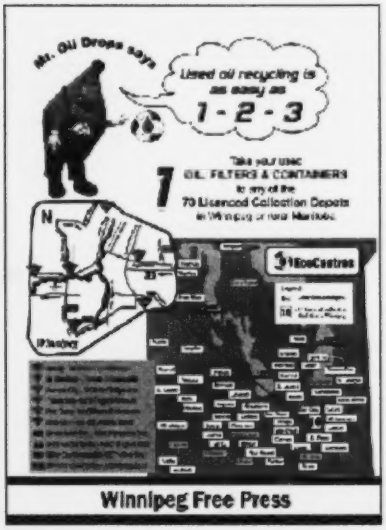
Colourful Young Recyclers Win Bicycles

(from left) Matt Thoresby, Breanna Bedard, Bram Gates, Mariya Soylchak, Seth Thomas, Jennelle Ehn and Ryan Picard.

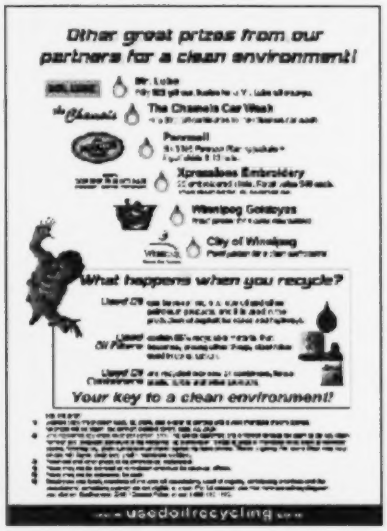
Bike Winners - Free Press Coverage

EcoSummer 2005

Mailer to Winnipeg & Rural Communities



Winnipeg Free Press


Other great prizes from our partners for a clean environment!
The Chamois Car Wash
Xpressions Embroidery
Winnipeg Goldeyes
City of Winnipeg
What happens when you recycle?
Your key to a clean environment!
usedoilrecycling

Commander Board

Winner of the Grand Prize - Dennis Wood of Glenboro

Chamois
(2,500)

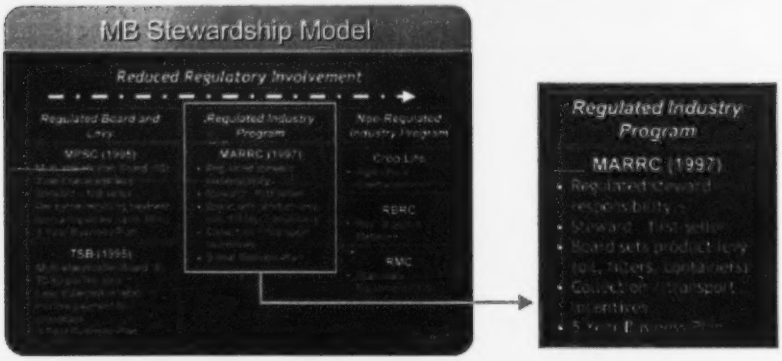
Fuel Additive

MAGNUM OIL

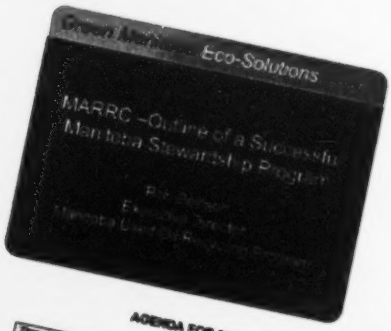
144 x 1.89 Litres

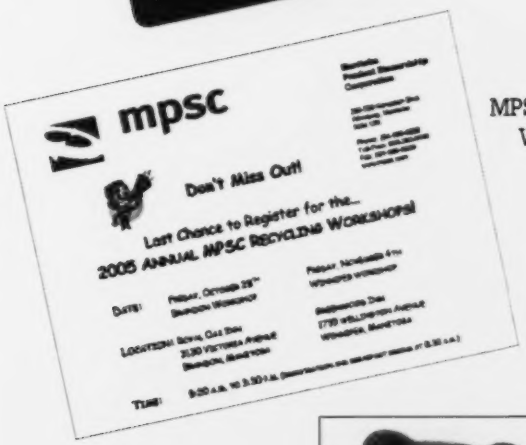
Dauphin EcoDay

Municipal and Community Interface

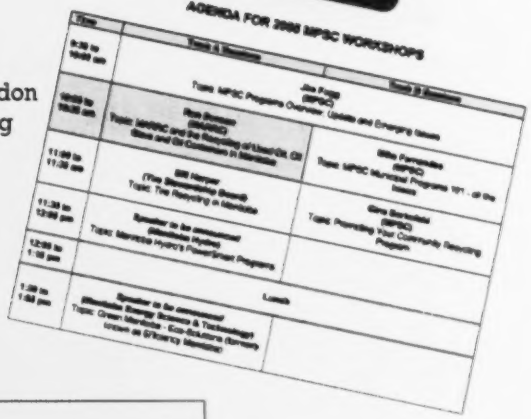


Green Manitoba
Eco-Solutions



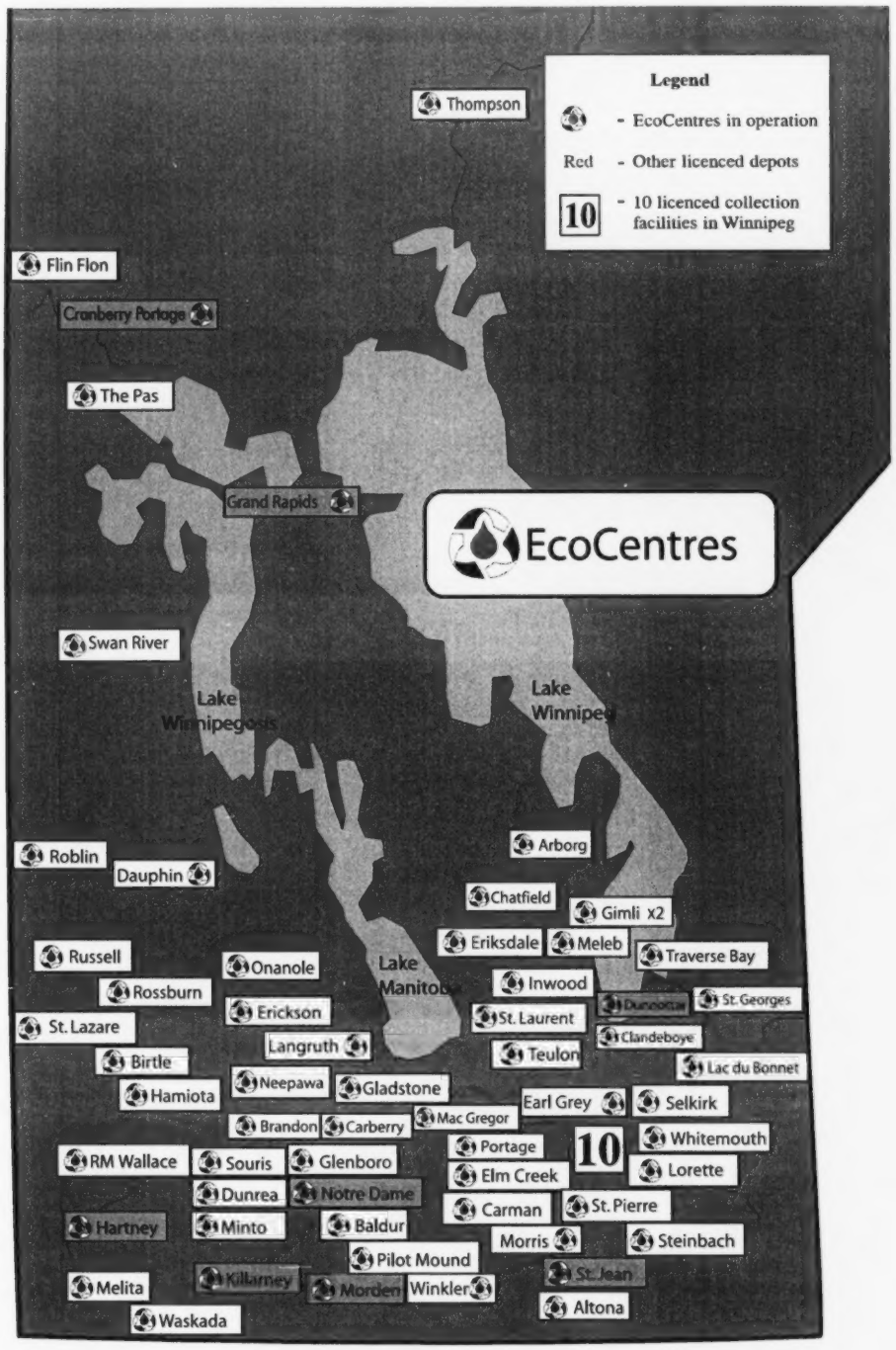


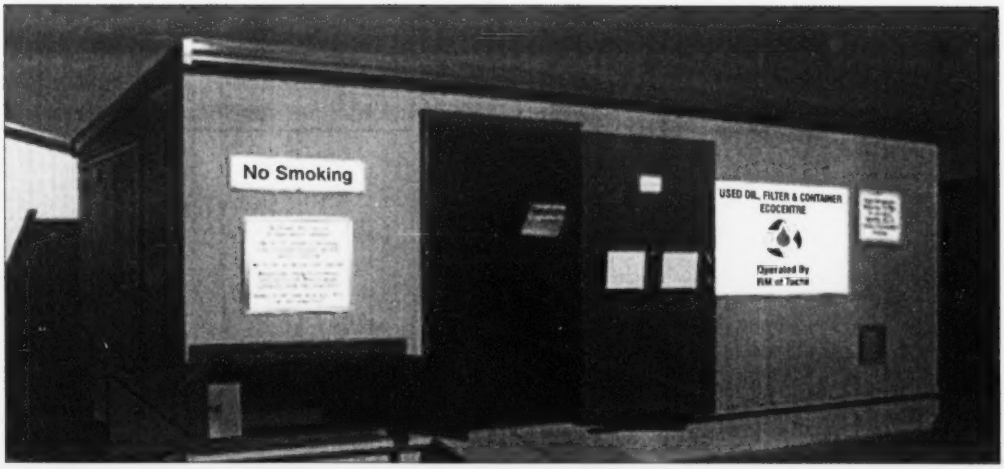
MPSC Brandon
Winnipeg



Children's Hospital - Premature Children's Community Picnic

EcoCentre Network at December 31, 2005





EcoCentres

	Location	Owner/Operator
1	Steinbach	City of Steinbach
2	Carman	Town of Carman
3	Melita	S K L Enterprises Ltd.
4	Altona	Town of Altona / RM of Rhineland
5	Neepawa	Town of Neepawa
6	Selkirk	City of Selkirk
7	Russell	Town of Russell / RM of Russel / RM of Silver Creek
8	Glenboro	RM of South Cypress / Village of Glenboro
9	Minto	RM of Whitewater
10	Pilot Mound	Town of Pilot Mound
11	Baldur	RM of Argyle
12	Swan River	Town of Swan River
13	Hamiota	Town of Hamiota
14	Inwood	RM of Armstrong
15	Chatfield	RM of Armstrong
16	Meleb	RM of Armstrong
17	Virden	RM of Wallace
18	Arborg	Town of Arborg / RM of Bifrost / Village of Riverton
19	Gladstone	Town of Gladstone
20	Rossburn	Town of Rossburn / RM of Rossburn
21	Portage la Prairie	Portage & District Recycling Inc.
22	Teulon	Town of Teulon / RM of Rockwood
23	Brandon	City of Brandon
24	Earl Grey	RM of St. Andrews
25	Langruth	RM of Lakeview
26	Elm Creek	RM of Grey
27	The Pas	Town of The Pas

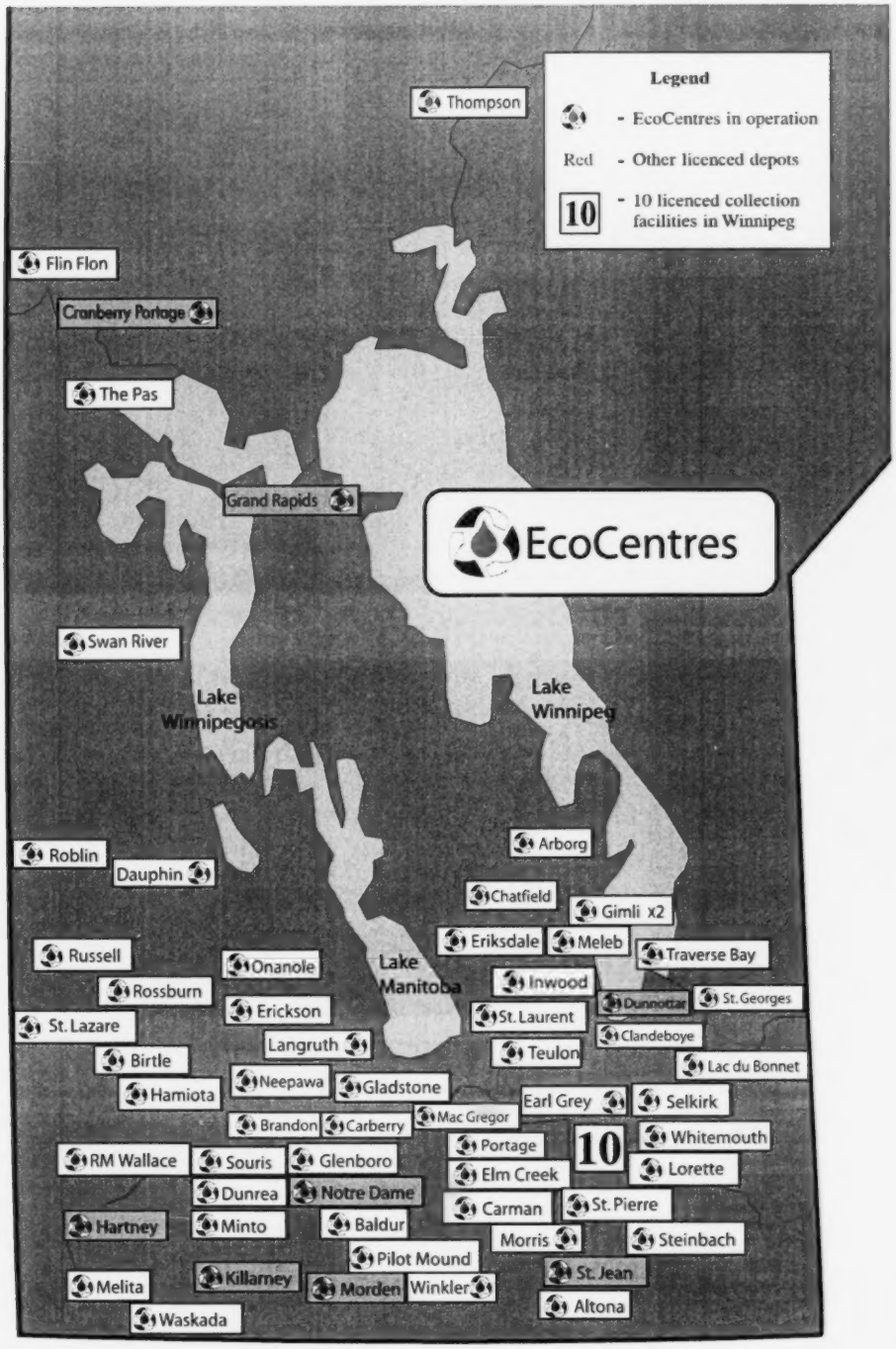
	Location	Owner/Operator
28	Winkler	City of Winkler
29	Morris	Town of Morris
30	St. Georges	RM of Alexander
31	Traverse Bay	RM of Alexander
32	Clandeboye	RM of St. Andrews
33	Dauphin	EcoOil Recycling Centre
34	Lac du Bonnet	RM of Lac du Bonnet
35	Waskada	RM of North Cypress
36	Carberry	RM of Brenda / Village of Waskada
37	Thompson	Thompson Recycling Centre
38	St. Laurent	RM of St. Laurent
39	Erickson	Town of Erickson / RM of Clanwilliam
40	Eriksdale	RM of Eriksdale
41	Flin Flon	City of Flin Flon
42	Dunrea	RM of Riverside
43	MacGregor	RM of North Norfolk / Village of MacGregor
44	Roblin	RM of Shell River / RM of Hillsburg
45	Onanole	RM of Park
46	Gimli	RM of Gimli
47	Arnes	RM of Gimli
48	Whitemouth	RM of Whitemouth / RM of Reynolds / North Whiteshell Provincial Park
49	St. Lazare	RM of Ellice / Village of St. Lazare
50	St. Pierre	RM of De Salaberry / Village of St. Pierre-Jolys
51	Lorette	RM of Taché
52	Souris	Town fo Souris / RM of Glenwood
53	Birtle	Town of Birtle / RM of Birtle

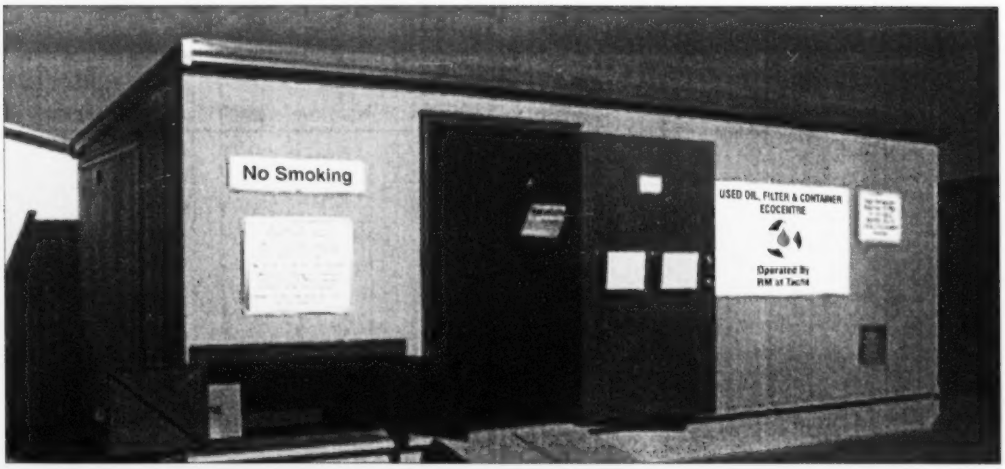
Other Licenced Collection Facilities

1	Winnipeg	A-1 Environmental Services 1447 Dugald Road
2	Winnipeg	Enviro West Inc. 1090 Kenaston Blvd.
3	Winnipeg	Miller Environmental Corporation 65 Trottier Bay
4	Winnipeg	WRS Waste & Recycling Services 940 Redonda
5	Winnipeg	Canadian Tire Garden City 2303 McPhillips
6	Winnipeg	Canadian Tire East Kildonan 1519 Regent Ave.
7	Winnipeg	Canadian Tire Polo Park 750 St. James
8	Winnipeg	Canadian Tire Fort Garry McGillvray & Kenaston
9	Winnipeg	Canadian Tire St. Boniface Fermor & Beaverhill

10	Winnipeg	Canadian Tire Unicity 3615 Portage Ave.
11	Notre Dame	Jean Farms Ltd.
12	Morden	Pembina Valley Containers Ltd. .
13	Hartney	Southwest Recycling
14	Grand Rapids	ET Developments Ltd.
15	Killarney	Town of Killarney
16	St. Jean	Miller Environmental Corporation
17	Dunnottar	Village of Dunnottar
18	Cranberry Portage	LUD of Cranberry Portage

EcoCentre Network at December 31, 2005





EcoCentres

	Location	Owner/Operator
1	Steinbach	City of Steinbach
2	Carman	Town of Carman
3	Melita	S K L Enterprises Ltd.
4	Altona	Town of Altona / RM of Rhineland
5	Neepawa	Town of Neepawa
6	Selkirk	City of Selkirk
7	Russell	Town of Russell / RM of Russel / RM of Silver Creek
8	Glenboro	RM of South Cypress / Village of Glenboro
9	Minto	RM of Whitewater
10	Pilot Mound	Town of Pilot Mound
11	Baldur	RM of Argyle
12	Swan River	Town of Swan River
13	Hamiota	Town of Hamiota
14	Inwood	RM of Armstrong
15	Chatfield	RM of Armstrong
16	Meleb	RM of Armstrong
17	Virden	RM of Wallace
18	Arborg	Town of Arborg / RM of Bifrost / Village of Riverton
19	Gladstone	Town of Gladstone
20	Rossburn	Town of Rossburn / RM of Rossburn
21	Portage la Prairie	Portage & District Recycling Inc.
22	Teulon	Town of Teulon / RM of Rockwood
23	Brandon	City of Brandon
24	Earl Grey	RM of St. Andrews
25	Langruth	RM of Lakeview
26	Elm Creek	RM of Grey
27	The Pas	Town of The Pas

	Location	Owner/Operator
28	Winkler	City of Winkler
29	Morris	Town of Morris
30	St. Georges	RM of Alexander
31	Traverse Bay	RM of Alexander
32	Clandeboye	RM of St. Andrews
33	Dauphin	EcoOil Recycling Centre
34	Lac du Bonnet	RM of Lac du Bonnet
35	Waskada	RM of North Cypress
36	Carberry	RM of Brenda / Village of Waskada
37	Thompson	Thompson Recycling Centre
38	St. Laurent	RM of St. Laurent
39	Erickson	Town of Erickson / RM of Clanwilliam
40	Eriksdale	RM of Eriksdale
41	Flin Flon	City of Flin Flon
42	Dunrea	RM of Riverside
43	MacGregor	RM of North Norfolk / Village of MacGregor
44	Roblin	RM of Shell River / RM of Hillsburg
45	Onanole	RM of Park
46	Gimli	RM of Gimli
47	Arnes	RM of Gimli
48	Whitemouth	RM of Whitemouth / RM of Reynolds / North Whiteshell Provincial Park
49	St. Lazare	RM of Ellice / Village of St. Lazare
50	St. Pierre	RM of De Salaberry / Village of St. Pierre-Jolys
51	Lorette	RM of Taché
52	Souris	Town fo Souris / RM of Glenwood
53	Birtle	Town of Birtle / RM of Birtle

Other Licenced Collection Facilities

1	Winnipeg	A-1 Environmental Services 1447 Dugald Road
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18	Cranberry Portage	LUD of Cranberry Portage

MARRC - Making every drop count

Manitoba Association for Resource Recovery Corp.

Financial Statements
December 31, 2005

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
One Lombard Place, Suite 2300
Winnipeg, Manitoba
Canada R3B 0X6
Telephone +1 (204) 926 2400
Facsimile +1 (204) 944 1020

February 24, 2006

Auditors' Report

To the Members of
Manitoba Association for Resource Recovery Corp.

We have audited the balance sheet of **Manitoba Association for Resource Recovery Corp.** ("the Corporation") as at December 31, 2005 and the statements of operations, changes in unrestricted net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

MARRC – Making every drop count

Manitoba Association for Resource Recovery Corp.

Balance Sheet

As at December 31, 2005

	2005 $	2004 $
Assets		
Current assets		
Cash and short-term investments	2,100,046	863,066
Environmental handling charges receivable	741,969	711,827
Accounts receivable	51,379	26,602
Prepaid expenses and deposits	905	905
	2,894,299	1,602,400
Restricted cash (note 3)	47,265	46,628
Capital assets		
Office furnishings and equipment	18,041	15,372
Less: Accumulated amortization	14,595	14,317
	3,446	1,055
	2,945,010	1,650,083
Liabilities		
Current liabilities		
Return and processing incentives payable	236,497	169,022
Accounts payable and accrued liabilities	324,264	312,051
	560,761	481,073
Net Assets		
Unrestricted	2,333,538	1,121,327
Restricted (note 3)	47,265	46,628
Invested in capital assets	3,446	1,055
	2,384,249	1,169,010
	2,945,010	1,650,083

Commitments (note 4)

Approved by the Board of Directors

Director Director

MARRC - Making every drop count

Manitoba Association for Resource Recovery Corp.

Statement of Changes in Unrestricted Net Assets

For the year ended December 31, 2005

				2005	2004
	Unrestricted $	Restricted $	Invested in capital assets $	Total $	Total $
Balance - Beginning of year	1,121,327	46,628	1,055	1,169,010	1,207,766
Excess (deficiency) of revenue over expenses	1,214,881	637	(279)	1,215,239	(38,756)
Acquisition of capital assets	(2,670)	-	2,670	-	-
Balance - End of year	2,333,538	47,265	3,446	2,384,249	1,169,010

MARRC – Making every drop count

Manitoba Association for Resource Recovery Corp.

Statement of Operations

For the year ended December 31, 2005

	2005 $	2004 $
Revenue		
Environmental handling charges	3,301,650	3,098,853
Interest income	54,128	23,883
Membership fees	1,595	1,600
	3,357,373	3,124,336
Expenses		
Return and processing incentives	2,663,677	2,461,786
EcoCentre support costs (note 6)	274,005	301,271
Wages, contract and benefits	142,624	135,234
Public relations and promotion (note 7)	128,366	74,923
Professional fees	45,573	66,410
Compliance audits	34,434	25,762
Office and administration	25,156	25,118
Directors	15,472	19,620
Rent	12,349	12,211
Travel and automobile	10,808	8,379
Insurance	7,342	6,868
Telephone and fax	5,613	5,658
Stewardship program review	4,189	8,060
Bursaries	3,000	3,000
Bank charges and interest	1,090	938
Meetings	721	7,258
Amortization	279	596
	3,374,698	3,163,092
Deficiency of revenue over expenses before the following	(17,325)	(38,756)
Inter-jurisdictional revenue reallocations (note 8)	1,232,564	-
Excess (deficiency) of revenue over expenses	1,215,239	(38,756)

Manitoba Association for Resource Recovery Corp.

Statement of Cash Flows

For the year ended December 31, 2005

	2005 $	2004 $
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	1,215,239	(38,756)
Item not affecting cash		
Amortization	279	596
	1,215,518	(38,160)
Net change in non-cash working capital items	24,769	16,585
	1,240,287	(21,575)
Investing activities		
Restricted cash	(637)	(468)
Purchase of capital assets	(2,670)	(1,319)
	(3,307)	(1,787)
Increase (decrease) in cash	1,236,980	(23,362)
Cash and short-term investments - Beginning of year	863,066	886,428
Cash and short-term investments - End of year	2,100,046	863,066

Manitoba Association for Resource Recovery Corp.

Notes to Financial Statements

December 31, 2005

1 Incorporation and purpose

The Corporation was formed by oil and oil filter first sellers in Manitoba to develop, implement and administer a used lubricating products stewardship program in the province and began operation on January 1, 1997. The Corporation was incorporated as a not-for-profit organization without share capital under The Corporations Act of Manitoba on April 1, 1997. On February 26, 1998, the Corporation received approval to operate its used lubricating products stewardship program from the Minister of Environment, Province of Manitoba.

As a non-profit organization, no provision for corporate income taxes has been made in these financial statements pursuant to paragraph 149(1)(l) of the Income Tax Act.

2 Significant accounting policies

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization of office furnishings and equipment is calculated on a straight-line basis at an annual rate of 20% based on the estimated useful lives of these assets.

Revenue recognition

The Corporation follows the deferral method of accounting for revenue.

a) Environmental handling charges

Revenue from environmental handling charges is recognized in the year for which suppliers and end-users assess it, as regulated by the Used Oil, Oil Filters and Containers Stewardship Regulation.

b) Membership fees

The one-time membership fees are recorded as revenue when the participating companies join the Corporation.

Return and processing incentives

The return and processing incentives are recognized as an expense in the year to which the claim relates.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

3 Restricted cash

As of December 31, 2005, the amount of monies placed in a lawyer's trust account as part of negotiations to settle the Corporation's potential interest in two EcoCentre buildings held as inventory by the building supplier and one operating EcoCentre is $47,265 (2004 - $46,628). It is uncertain whether any of the funds will need to be released from trust to settle any potential liability.

4 Commitments

Operating lease

The annual minimum rental for leased premises under a lease to February 28, 2008 is as follows:

		$
Fiscal year ending December 31,	2006	14,699
	2007	15,169
	2008	2,528

General

The Corporation is obligated to use its unrestricted net assets, in future years, to fund the return and processing incentives, the establishment of EcoCentres and to provide stakeholder communication and public education materials for the used lubricating products stewardship program.

EcoCentres

The Corporation has entered into five-year renewal agreements with 58 EcoCentres and licensed collection facilities that were established to provide no-cost drop-off centres for used oil materials.

As part of its contractual agreement with each EcoCentre owner-operator, the Corporation is committed to provide annual operating support until July 31, 2007. The operating support payment for the EcoCentres currently in operation is estimated to be $260,000 per annum until July 31, 2007.

5 Financial instruments

Fair value

The Corporation's financial assets and liabilities consist of cash and short-term investments, environmental handling charges receivable, accounts receivable, return and processing incentives payable, and accounts payable and accrued liabilities. The carrying value of cash and short-term investments, environmental handling charges receivable, accounts receivable, return and processing incentives payable, and accounts payable, and accrued liabilities approximates their fair values due to the short-term nature of these financial statements.

Credit risk

The Corporation is exposed to credit risk through its environmental handling charges receivable. The risk is minimized due to the large registrant base.

Interest rate risk

The Corporation's exposure to interest rate risk pertains to short-term investments, which are subject to future changes in interest rates.

6 EcoCentre support costs

	2005 $	2004 $
Operating support	254,601	258,351
Operational audits, training and supplies	14,861	27,013
Investment support	4,543	14,907
Engineering	-	1,000
	274,005	301,271

7 Public relations and promotion

	2005 $	2004 $
EcoSummer	96,770	69,850
Colouring contest	15,263	-
Website	9,767	1,867
Advertising and promotional material	6,566	3,206
	128,366	74,923

8 Inter-jurisdictional revenue reallocations

During the fiscal year 2004, the Corporation determined that environmental handling charges (EHC) collected on sales in Alberta related to lubricating oil materials transported for use in Manitoba, were being remitted in error to the Alberta Used Oil Management Association (AUOMA) and not to the Corporation. The EHC should have been remitted to the jurisdiction in which the lubricating oil materials were used. AUOMA agreed to reallocate $1,232,564 of the EHC collected in 2004 and prior years to the Corporation. The amounts were paid to the Corporation in 2005.

MARRC – Making every drop count

Manitoba Association for Resource Recovery Corp.

Board of Directors and staff

Back Row:
Jason Kruszelnicki, Keith Penner, Keith Micklash (Secretary Treasurer), Jean-Marc Morin, Ron Benson (Executive Director).

Front Row:
Aaron Strub (Administrative Services Manager), Joe Casciano (Chairman), Lutz Ehrentraut

Board of Directors

Joe Casciano, Canadian Tire Corporation, Limited
Chairman

Keith Micklash, Magnum Oil Mb. Ltd.
Secretary Treasurer

Jason Kruszelnicki, Imperial Oil
Director

Jean-Marc Morin, Shell Canada Products
Director

Keith Penner, Affinia Canada Corp.
Director

Lutz Ehrentraut, Canadian Automobile Association (CAA)
Director

Legal Counsel

Fillmore Riley, Barristers & Solicitors

Auditors

PricewaterhouseCoopers LLP, Chartered Accountants

Staff

Ron Benson - Executive Director
Aaron Strub - Administrative Services Manager

MARRC Office

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Winnipeg, Manitoba
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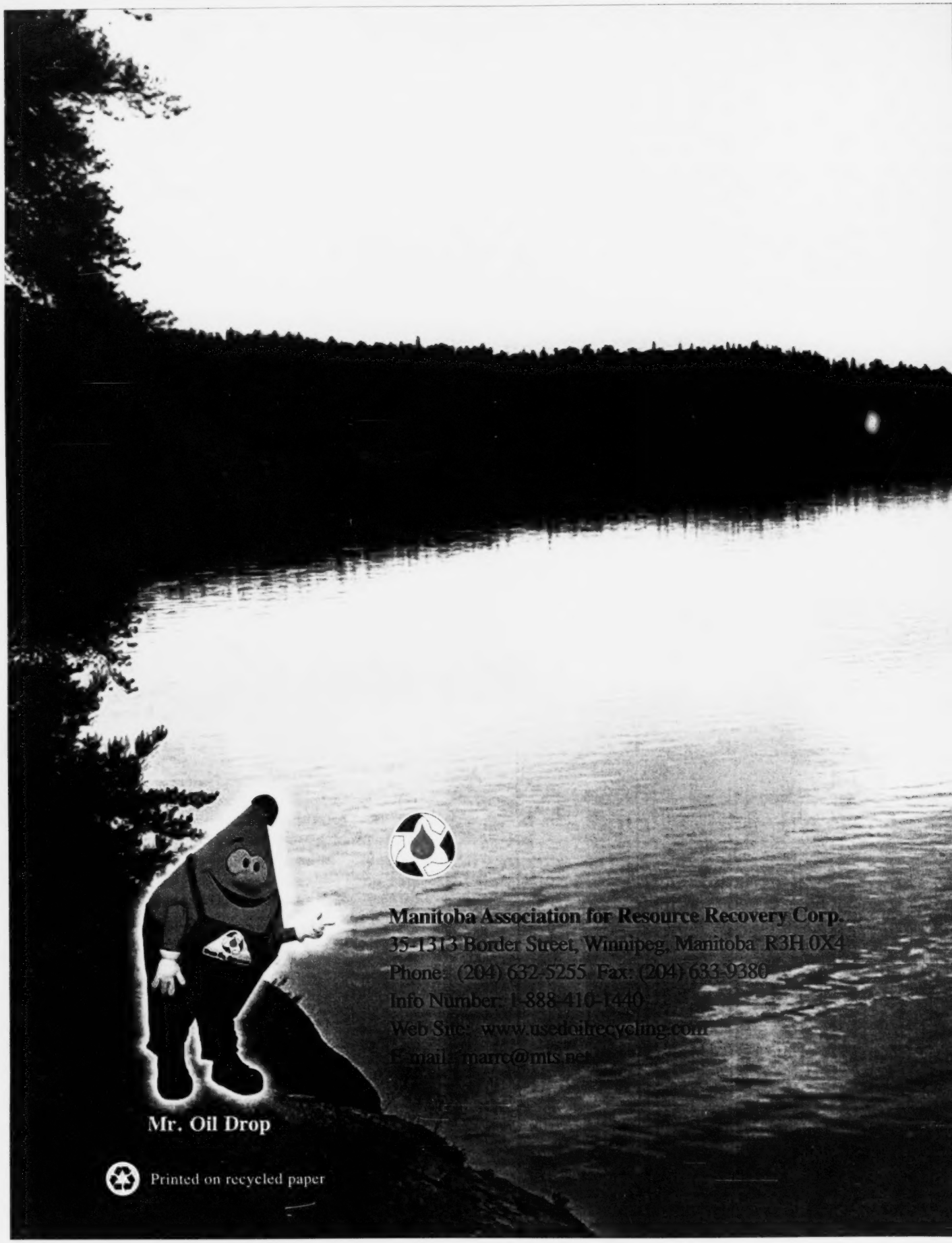
marrc@mts.net e-mail



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